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DEPARTMENT OF STATE

Memorandum of Conversation

SECRET - SECURITY INFORMATION

DATE: November 29, 1952

SUBJECT: Iranian Oil Problem

PARTICIPANTS: Mr. David Bruce AB
Mr. Paul Nitze - S/P
Mr. Harold Linder - E
Colonel J.F. Drake, Chairman, Gulf Oil Corp.
Mr. Hamilton, Gulf Oil Corp.

COPIES TO: Mr. Nitze - S/P
S/S - (2)
Mr. Byroade - NEA

DEPARTMENT OF STATE A/CDC/MR
PREVIEWED BY CEC DATE 7-1-81
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Mr. Nitze outlined the political developments in Iran over the past year and gave the reasons that we thought a prompt solution needed to be found through the lifting of oil promptly. Colonel Drake wanted to know the essence of what we had in mind, specifically:

1) Price.

We told him that we did not have any rigid ideas but recognized that there were two criteria. The first that the price be not out of line with the other concessionary arrangements (50-50) which would undoubtedly concern a number of the companies; but that others appeared to be more concerned that the price paid should not vary greatly from the prices obtained for oil under long-term contracts in large quantities in the area. Necessarily the price would vary considerably depending upon which criterion was used.

2) Quantity.

We indicated that we thought approximately 20 million tons of oil and products ought to be moved and we were hopeful that our British friends would be prepared to take one-half of this amount.

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3) Terms of the contract.

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3) Term of the contract.

We said that this also was open although from our point of view something approximating three years might be satisfactory. One or two of the other companies, however, had indicated their interest in a much longer-term contract.

4) U. S. aid.

Without mentioning the specific amount, we said that the United States Government was prepared to advance a very substantial fund for the purpose of defraying the costs of reactivating the Iranian oil industry and providing that Government with budgetary support until such time as the proceeds from the flow of oil were available to Iran.

Colonel Drake made a number of remarks implying that doing anything for Iran might well have an adverse effect on other concessions in the area. Since it did not appear that the Colonel was sufficiently impressed by the seriousness with which we regard the political situation, Mr. Linder undertook to emphasize why the Administration was so concerned.

Colonel Drake referred to his recent trip abroad stating that they had only recently completed a renegotiation with Kuwait and that the Iraq deal was completed only a few months ago. Both of these were on a "50-50" basis and he assumed that the ARAMCO-Saudi new contract would follow the same pattern. While he recognized that the proposed arrangement with Iran would be a purchase rather than a concessionary one, he was very emphatic in his expression that whatever form the deal might take, it was essential that it be justifiable within the 50-50 framework.

In conclusion, Colonel Drake stated that we had given him a lot to think about and that he would want to talk over the essence of our proposal with his associates before making further comment.

E:HFLinder:vag:dd

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